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SINOTRONICS HOLDINGS LIMITED

華翔微電子控股有限公司*

(incorporated in the Cayman Islands with limited liability)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF SHARES
IN THE SHARE CAPITAL OF
FLORET INDUSTRIES LIMITED**

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting.

* For identification only

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:

“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Acquisition”	the acquisition of 49 shares of Floret Industries, representing 49% of the issued share capital of Floret Industries, by the Company from Chen Hong Liang pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“CEMs”	contract manufacturers or contract electronics manufactures
“Company”	Sinotronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“Completion”	the completion of the Sale and Purchase Agreement, which is expected to be on or before 15th October, 2002
“Conditions”	the conditions precedent as stipulated under the Sale and Purchase Agreement
“Consideration”	consideration for the Acquisition, being RMB47 million (equivalent to approximately HK\$44.6 million) payable in cash by the Company
“Director(s)”	the director(s) of the Company
“Event”	any act, omission, transaction or circumstance occurring or subsisting at the relevant time
“Floret Industries”	Floret Industries Limited, a company incorporated in the British Virgin Islands with limited liability on 18th May, 2001
“Fuzhou Tin Fong”	福州天方科技有限公司, an equity joint venture company established in the PRC on 14th September, 2001
“Fuzhou Wei Mei”	福州威美电子有限公司, a wholly foreign owned enterprise established in the PRC on 20th June, 2001
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected with any of the Directors, chief executive, substantial shareholders or management shareholders of the Company or their respective associates as defined in the GEM Listing Rules
“Latest Practicable Date”	4th September, 2002, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“NAV”	net asset value
“ODMs”	original design manufacturers
“Purchaser”	Dynamic Fortune Technology Limited, a company incorporated in the British Virgin Islands with limited liability on 2nd January, 2002 and a wholly-owned subsidiary of the Company
“PCBs”	printed circuit boards
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 15th August, 2002 and entered into between the Purchaser and the Vendor, whereby the Purchaser agreed to purchase and the Vendor agreed to sell 49 shares of Floret Industries, representing 49% of the issued share capital of Floret Industries
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Chen Hong Liang, a merchant and an Independent Third Party who, prior to the date of the Sale and Purchase Agreement, holds the entire issued share capital of Floret Industries and save as disclosed herein, has no prior relationship with the Company or any of its connected persons (as defined in the GEM Listing Rules)
“%”	per cent.



SINOTRONICS HOLDINGS LIMITED

華翔微電子控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Executive Directors:

Lin Wan Qaing (*Chairman*)

Liu Zhao Cai (*Vice-Chairman*)

Xiang Song (*Managing Director*)

Registered office:

P.O. Box 2681GT

Zephyr House

George Town

Grand Cayman

British West Indies

Independent non-executive Directors:

Lam Ming Yung

Pan Chang Chi

*Head office and principal
place of business:*

Room 1805, 18th Floor

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

6th September, 2002

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF SHARES
IN THE SHARE CAPITAL OF
FLORET INDUSTRIES LIMITED**

1. INTRODUCTION

On 15th August, 2002, the Directors announced that the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor in relation to the acquisition of 49 shares of Floret Industries held by the Vendor, representing 49% of the issued share capital of Floret Industries, at a consideration of RMB47 million (equivalent to approximately HK\$44.6 million), which will be wholly satisfied in cash upon Completion by the Company out of the net proceeds raised from the placing and subscription of Shares announced by the Company on 14th June, 2002.

The Consideration is arrived at after arm's length negotiation and is based on normal commercial terms with reference to the prospective price-earnings multiple of 5.5 of Floret Industries.

* For identification only

LETTER FROM THE BOARD

Completion is expected to take place on or before 15th October, 2002 and upon Completion, the Group would hold 49 shares in the share capital of Floret Industries, representing 49% of its issued share capital.

The Consideration for the Acquisition represents approximately 22.7% of the net tangible assets of the Group as at 31st March, 2002, therefore, the Acquisition constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules.

2. SALE AND PURCHASE AGREEMENT

Date

15th August, 2002

Parties

Vendor : Chen Hong Liang
Purchaser : Dynamic Fortune Technology Limited

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Group has conditionally agreed to acquire from the Vendor 49 shares of Floret Industries held by the Vendor, representing 49% of the issued share capital of Floret Industries. The Group currently has no intention to acquire the remaining issued share capital of Floret Industries held by the Vendor. Prior to the date of the Sale and Purchase Agreement, Floret Industries is wholly-owned by the Vendor. Floret Industries is an investment holding company whose sole asset comprises the entire equity interest in Fuzhou Wei Mei, which in turns holds a 83% equity interest in Fuzhou Tin Fong as its sole asset. The remaining 17% equity interest in Fuzhou Tin Fong is owned by three Independent Third Parties. The three Independent Third Parties are 劉純、陳敦、黃偉 and their respective occupation is merchant.

Fuzhou Tin Fong is principally engaged in the research, development, manufacture and sale of products as well as the provision of ancillary services in relation to the automation (自動化) and intellectualisation (智能化) of electric supply systems. These systems are composed of a variety of data processing hardware which, in general, would utilise PCBs as their components.

Fuzhou Tin Fong is an equity joint venture company which is owned as to 83% by Fuzhou Wei Mei and as to the remaining 17% by the three Independent Third Parties. Pursuant to the joint venture agreement entered into among Fuzhou Wei Mei and the three Independent Third Parties, the parties thereto agreed to share the profit of the joint venture according to the ratio of their respective equity interest. The equity joint venture was established in the PRC on 14th September, 2001, with a total registered capital of RMB3,000,000 which is fully paid up, and for a term of 20 years commencing from 14th September, 2001 to 14th September, 2021. The Directors currently do not contemplate any changes to the terms or profit sharing ratios of the equity joint venture after Completion.

As at 30th June, 2002, the unaudited NAV of Fuzhou Tin Fong amounted to approximately RMB8,700,000 (equivalent to approximately HK\$8,256,000). For the period from the date of its establishment up to 30th June, 2002, Fuzhou Tin Fong has recorded unaudited retained profits of approximately RMB4,500,000 (equivalent to approximately HK\$4,270,000).

LETTER FROM THE BOARD

Consideration and payment terms

The Consideration payable by the Group is RMB47 million (equivalent to approximately HK\$44.6 million) which will be wholly satisfied in cash upon Completion by the Group out of the net proceeds raised from the placing and subscription of Shares announced by the Company on 14th June, 2002. The Consideration is arrived at after arm's length negotiation and is based on normal commercial terms with reference to the prospective price-earnings multiple of 5.5 of Floret Industries, which is calculated based on the expected after tax profit of Floret Industries of approximately RMB21million for the year ending 30th June, 2003. As Floret Industries only has a limited track record, the Directors consider that it is prudent to use the expected after tax profit of Floret Industries for the year ending 30th June, 2003 provided by the management of Floret Industries as the basis for such calculation. The Directors consider the pricing of the Acquisition to be favourable based on the financial due diligence conducted by the Group which included, among others, review of letters of intent and confirmed sales orders of Fuzhou Tin Fong, and the Directors' understanding that another similar business, which engages in the design and manufacturing of electric meter, electric supply systems and communications related products and which is quoted on the stock exchange of Shenzhen, the PRC, has a market value of approximately 54.6 price-earnings multiple as at 13th August, 2002.

Conditions of Sale and Purchase Agreement

Completion of the Sale and Purchase Agreement is subject to the following conditions being fulfilled and remaining satisfied as at Completion:

- (a) completion to the satisfaction of the Company of its due diligence review of Floret Industries and its subsidiaries including, but not limited to, review of business, commercial, legal, financial and taxation aspects of each of Floret Industries and its subsidiaries;
- (b) all relevant licences, permits, approvals and authorisations which have been granted to Floret Industries or its subsidiaries with regard to all their respective business operations in Hong Kong or the PRC or elsewhere in the world being valid, final and subsisting up to their respective official dates of expiry (if any); and
- (c) no Event having occurred which constitutes a breach of any of warranties of the Sale and Purchase Agreement by the Vendor.

The Company may at its absolute discretion at any time waive in writing and such waiver may be made subject to such terms and conditions as are determined by the Company.

If the Conditions are not fulfilled or waived by the Purchaser on or before 15th October, 2002, the Sale and Purchase Agreement shall lapse and be of no further effect, and no party to the Sale and Purchase Agreement shall have any claim against or liability to the other parties, save in respect of any antecedent breaches of the Sale and Purchase Agreement, including any breaches of the Conditions.

Completion of the Sale and Purchase Agreement

Completion shall take place within 7 Business Days after the fulfilment (or waiver) of the Conditions, whichever is earlier or such other date as the parties to the Sale and Purchase Agreement shall agree in writing, but in any event not later than 15th October, 2002.

LETTER FROM THE BOARD

Upon Completion, the Group shall appoint a new director to the board of directors of Floret Industries. Floret Industries currently has one director. The Group currently has no intention to appoint any new directors to the board of directors of Fuzhou Wei Mei or Fuzhou Tin Fong.

Completion is expected to take place on 15th October, 2002 and upon Completion the Group would hold 49 shares in the share capital of Floret Industries, representing 49% of its issued share capital.

3. INFORMATION ON THE COMPANY AND REASONS FOR THE ACQUISITION

The Group is an electronic manufacturing services provider in the PRC offering a full range of solutions to electronics ODMs and CEMs throughout the production cycle of PCBs, which covers initial circuit design, schematic capture and layout design, prototyping, fabrication and testing.

Fuzhou Tin Fong is an existing customer of the Group and approximately RMB360,000 purchases were made by Fuzhou Tin Fong for the year ended 30th June, 2002 according to the consolidated management accounts of the Company, representing less than 1% of the turnover of the Group. Fuzhou Tin Fong is principally engaged in the research, development, manufacture and sale of products as well as the provision of ancillary services in relation to the automation (自動化) and intellectualisation (智能化) of electric supply systems. These systems are composed of a variety of data processing hardware which, in general, would utilise PCBs as their components.

The Group has been engaging in the research and development of technologies in fabricating, among other types, thick copper large power supply PCBs, diffraction PCBs and steel diffraction composite PCBs, which are applied in a variety of portable communications data storage and processing devices. As Fuzhou Tin Fong is a customer of the Group, the Group has been cooperating with Fuzhou Tin Fong in the design of its products and has been providing them with various production services. The Directors consider that the Acquisition would enhance this relationship and consolidate resources of both parties. The Group, by way of cooperation in the design and production of Fuzhou Tin Fong's products, has gained a lot of technical experiences which enabled the Group to provide to its customers more in-depth design services in relation to the storage and processing of data. Therefore, the Directors believe that significant synergies can be created through the Acquisition, whereby the Group will have access to technologies relevant to the design of various data processing hardware which are valuable to the Group in enhancing its research and development as well as design capabilities in respect of the fabrication of thick copper large power supply PCBs, diffraction PCBs and steel diffraction composite PCBs. Furthermore, the Directors believe that the Acquisition will significantly strengthen the business relationship between the two parties, which the Directors anticipate will lead to a continuous increase in secured orders from Fuzhou Tin Fong.

In addition to the above, with the anticipated market developments in the field of national electricity system automation in the PRC and the support of the PRC government in this respect, the Directors consider the Acquisition to be an investment with good potential equity return and accordingly, is in the interests of the Company and the Shareholders.

The Directors also consider that the Acquisition would enhance its system design expertise, achieve economies of scale and help fulfil its long-term objectives (as stated under the section headed "Statement of business objective" in the prospectus of the Company dated 11th May, 2001).

In view of the above, the Directors consider that the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders taken as a whole.

LETTER FROM THE BOARD

4. FINANCIAL EFFECT OF THE ACQUISITION TO THE GROUP

Upon the completion of the Acquisition, the Directors expect that there will be a positive contribution to the future earnings of the Group from the financial year 2003 and there will be no material impact on the assets and liabilities of the Group.

5. GENERAL

The Consideration represents approximately 22.7% of the net tangible assets of the Group as at 31st March, 2002, therefore, the Acquisition constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules. The Consideration payable by the Group is RMB47 million (equivalent to approximately HK\$44.6 million) which will be wholly satisfied in cash upon Completion by the Group out of the net proceeds raised from the placing and subscription of Shares announced by the Company on 14th June, 2002.

6. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

By Order of the Board
Sinotronics Holdings Limited
Lin Wan Qaing
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm having made all reasonable enquiries, that to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL OF THE COMPANY

Authorised and Issued Share Capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company are as follows:

<i>Authorised:</i>	<i>HK\$</i>
1,000,000,000 Shares	100,000,000
<i>Issued as fully paid Shares:</i>	
402,625,000 Issued Shares	40,262,500

All of the Shares currently in issue and to be issued rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange.

Save as disclosed above, the Company has no securities which are convertible or exercisable into Shares in the Company.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) which had been notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests in which each of them is taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which were required pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Type of interest	Number of Shares held	Percentage of issued share capital
Mr. Lin Wan Qaing	Personal	232,203,780	57.67

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive or their associates had any interests in the share capital of the Company or its associates corporations (within the meaning of the SDI Ordinance).

4. SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, according to the register kept by the Company under section 16(1) of the SDI Ordinance and so far as is known to the Directors, the following person was interested or taken or deemed to be interested in 10% or more of the issued share capital of the Company:

Name	Number of Shares held	Percentage of issued share capital
Mr. Lin Wan Qaing ^(Note)	232,203,780	57.67

Note: Mr. Lin is also the controlling shareholder and initial management shareholder of the Company for the purpose of the GEM Listing Rules.

Other than as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at the Latest Practicable Date.

5. SPONSOR'S INTERESTS

As at the Latest Practicable Date, neither Deloitte & Touche Corporate Finance Limited, the sponsor to the Company ("Sponsor") nor its associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the Acquisition, other than the Sponsor's interests, rights and obligations in an agreement dated 11th May, 2001 entered into between the Company and the Sponsor in respect of the engagement of the Sponsor as the Company's sponsor for the remainder of the financial year of the Company ended 30th June, 2001 and two years thereafter.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material importance known by the Directors to be pending or threatened against any member of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employing company within one year without payment of compensation other than statutory compensation).

8. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any interest in a business which competes or may compete with the business of the Group.

9. GENERAL

- (a) The registered office of the Company is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands, British West Indies. The head office and principal place of business of the Company is at Room 1805, 18th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The share registrar and transfer office of the Company is Hong Kong Registrars Limited at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road, Central, Hong Kong.
- (b) Mr. Tong Yiu On is the company secretary and qualified accountant of the Company. He is an associate member of the Association of Chartered Certified Accountants (ACCA) and the Hong Kong Society of Accountants (HKSA).
- (c) The compliance officer of the Company appointed under Rule 5.14 of the GEM Listing Rules is Mr. Lin Wan Qaing.
- (d) The Company has established an audit committee with written terms of reference based upon guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Group's annual reports, half-year and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will be responsible for reviewing and supervising the Group's financial reporting and internal control procedures. The audit committee comprises two independent non-executive Directors, namely Mr. Lam Ming Yung and Mr. Pan Chang Chi.

Mr. Lam Ming Yung, aged 38, joined the Group in June 2001 as an independent non-executive Director. He graduated from the School of Law of East China University of Politics and Law in 1986 and was awarded the degree of bachelor of law. Mr. Lam started practising law in 1987 in Fujian Province in the PRC, and moved to Hong Kong in mid-1993. He was registered as a foreign lawyer with the Hong Kong Law Society in 1995, and is now practising as a senior legal consultant of PRC corporate securities law in the Hong Kong office of Sidley Austin Brown & Wood, an international law firm, which is the legal adviser to the Company. Mr. Lam is also an independent non-executive director of Goldigit Atom-tech Holdings Limited.

Mr. Pan Chang Chi (潘昌馳), aged 51, is a senior economist. He graduated from Xiamen University (廈門大學) in 1998 with a master's degree in law. He has extensive experience in financial management while working as a senior economist in the Fuqing branch of the Bank of China. He is currently employed by Fujian International Corporation Limited (福建省國際投資有限公司), and became an independent non-executive Director on 8th May, 2001.

- (e) As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 divided into 1,000,000,000 shares of HK\$0.10 each, of which 402,625,000 Shares have been issued and fully paid up.